

DEPARTMENT OF DEVELOPMENTAL SERVICES 2003-04 GOVERNOR'S BUDGET HIGHLIGHTS

EXECUTIVE SUMMARY

The State is facing an unprecedented budget crisis that requires sound spending and hard, painful choices. The Governor is facing California's economic challenge head on. He has proposed reductions in every program in the General Fund budget along with new taxes and an historical State-Local Program Realignment to close the \$35 billion shortfall and eliminate the structural deficit.

While the Governor's 2003-04 budget includes some cuts to the California Department of Developmental Services (DDS) budget, the Department's overall budget is estimated to actually increase by a total of \$281.6 million, or 9.6 percent, as a result of new programmatic responsibilities and federal reimbursements.

A significant portion of this increase is associated with the transfer of the Habilitation Services Program (HSP) from the Department of Rehabilitation (DOR) to DDS, which will result in \$114.7 million more in General Fund to DDS and more efficient delivery of services to consumers. The total net increase for DDS is \$166.9 million, or 5.7 percent.

The increase in General Fund from the current year (2002-03) is 7.2 percent, while the increase in overall reimbursements, mainly from the federal government, is 14 percent. The significant increase in federal reimbursements reflects the successful efforts of DDS and the regional centers to maximize other funding sources.

The Community Services Program is proposed to increase by a total of \$277 million, or 12.3 percent. Of the proposed \$126.7 million General Fund increase, \$114.7 million General Fund is related to the HSP transfer. Reimbursements are proposed to increase by a total of \$149.6 million, or 19.6 percent, over 2002-03.

Major reductions or General Fund savings include:

- Increased federal reimbursements in 2001-02 over budgeted levels.
- Establishment of statewide purchase of service standards.
- Change in the definition of substantial disability as it relates to eligibility for services.
- Establishment of a co-pay for services directed toward families whose children (aged 3-17) live at home.
- Increase in Title XX Social Services Block Grant reimbursements.
- Increase in federal reimbursements associated with the second phase of DDS' federal financial participation initiative.
- Transfer of the HSP from DOR to DDS. (Please note that this is an overall savings to the State due to a reduction of positions and associated funding in DOR related to the transfer.)

Major increases include:

- Funding for caseload growth and service utilization.

Other significant changes include:

- Regional center deficiency in 2002-03.
- Extension of the self determination pilots and request for federal financial participation for this program.

The Developmental Centers Program is proposed to decrease by a total of \$.4 million, or .1 percent, in 2003-04. The \$1.9 million General Fund increase is due to the federal sharing ratio change.

Major reductions or General Fund savings include:

- Funding and positions in 2002-03 due to below-population projections.
- Funding and positions associated with the estimated population decline in 2003-04.
- Funding and non-level of care positions in response to the State's current fiscal crisis.
- Closure of Agnews Developmental Center by June 2005.

Major increases include:

- Investigator positions to complete investigations within statutory deadlines.
- Capital Outlay improvements related to the Secure Treatment Program at Porterville Developmental Center.

Sacramento DDS Headquarters is proposed to increase by \$5 million and a net of 56.6 positions in 2003-04 as a result of new responsibilities related to the HSP transfer, expanded efforts to increase federal financial participation and federal compliance. Even with the 61.6 position increase associated with the new budget proposals, the 2003-04 base Headquarters' positions are actually less than the 2002-03 level. The Department has experienced a 12 percent decrease in net positions since 2000-01.

Major reductions or General Fund savings include:

- Funding and positions in response to the State's current fiscal crisis.

Major increases include:

- Funding and positions to implement the second phase of DDS' federal financial participation initiative.
- Funding and positions to manage the HSP.
- Funding and positions to implement the Parental Co-Payment Assessment Program.
- Funding and positions related to Health Insurance Portability and Accountability Act requirements.
- Funding and positions to seek federal funding for self determination.

**DEPARTMENT OF DEVELOPMENTAL SERVICES
2003-04 GOVERNOR'S BUDGET**

FUNDING SUMMARY

(Dollars in Thousands)

BUDGET SUMMARY:	2002-03 Estimated	2003-04 Proposed	Difference	Percent Change
COMMUNITY SERVICES	\$2,259,667	\$2,536,710	\$277,043	12.3%
DEVELOPMENTAL CENTERS	655,560	655,132	-428	-0.1%
HEADQUARTERS SUPPORT	30,438	35,389	4,951	16.3%
STATE MANDATES	4	4	0	0.0%
TOTALS, ALL PROGRAMS	\$2,945,669	\$3,227,235	\$281,566	9.6%
FUND SOURCES:				
General Fund	1,826,777	1,957,632	130,855	7.2%
Reimbursements: Totals All	1,065,187	1,213,920	148,733	14.0%
<i>Medicaid Waiver</i>	474,093	532,225	58,132	12.3%
<i>Medicaid Waiver Administration</i>	3,408	31,012	27,604	810.0%
<i>Medicaid Administration</i>	10,142	9,883	-259	-2.6%
<i>Targeted Case Management</i>	92,918	92,645	-273	-0.3%
<i>Medi-Cal</i>	297,064	294,880	-2,184	-0.7%
<i>Title XX Block Grant</i>	181,973	247,687	65,714	36.1%
<i>All Other</i>	5,589	5,588	-1	0.0%
Federal Trust Fund	49,589	51,695	2,106	4.2%
Lottery Education Fund	2,057	2,057	0	0.0%
Program Development Fund	2,059	1,931	-128	-6.2%
AVERAGE CASELOAD:				
Developmental Centers	3,667	3,596	-71	-1.9%
Regional Centers	183,540	193,100	9,560	5.2%
AUTHORIZED POSITIONS:				
Developmental Centers	8,679.1	8,662.1	-17.0	-0.2%
Headquarters	389.0	445.6	56.6	14.6%

**DEPARTMENT OF DEVELOPMENTAL SERVICES
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PROGRAM HIGHLIGHTS

Community Services Program

The Governor's budget for 2003-04 proposes an increase of \$277 million (from \$2.2 billion in 2002-03 to \$2.5 billion in 2003-04), a 12.3 percent increase in funding for regional centers. Significant changes proposed for 2002-03 and 2003-04 are as follows:

Current Year 2002-03

Enhanced Federal Financial Participation-Phase II

A reduction of \$22.7 million General Fund and a commensurate increase in federal reimbursements to reflect a higher level of federally eligible consumers and associated activities. Of the General Fund savings, \$3 million will be used to ensure receipt of increased federal financial participation. (See below for 2003-04 impact.)

Regional Center Deficiency

An estimated deficit of \$34 million (13.7 million General Fund) in the regional center budget resulting from increased Purchase of Services utilization and growth, and associated regional center operations costs.

Department of Rehabilitation Habilitation Services Deficiency

An estimated deficit of \$6 million in Medicaid Waiver reimbursements to the Department of Rehabilitation resulting from updated population, service utilization and expenditure data for the Habilitation Services Program.

Budget Year 2003-04

Enhanced Federal Financial Participation-Phase II

A reduction of \$100 million General Fund and a commensurate increase in federal reimbursements to reflect a higher level of federally eligible consumers and associated activities. Of the General Fund savings, \$8 million will be used to ensure receipt of increased federal financial participation. Federally eligible activities include: increasing the federal cap on the number of consumers eligible for Medicaid waiver funding; identifying regional center operations costs that could qualify for additional federal reimbursements; expanding the type of services billable to the Home and Community-Based Services waiver; and increasing the percentage of contracted expenditures eligible for federal reimbursements and recalculating Targeted Case Management rates.

Purchase of Services Standards

A reduction of \$100 million General Fund resulting from implementation of statewide service standards for purchasing services for consumers and their families.

Revision of Eligibility Definitions

A reduction of \$2.1 million General Fund resulting from prospectively applying the federal standard for “substantial disability” to existing Lanterman Developmental Disabilities Services Act eligibility criteria. This revision requires a person to have deficits in at least three of the seven life domains.

Increased Service Utilization and Caseload Growth

An increase of \$242.4 million to fund increased costs in the regional center system due increased utilization of services based on consumer needs as well as a projected caseload growth of 10,870 consumers.

Habilitation Services Program Transfer

An increase of \$114.7 million General Fund resulting from the transfer of the Habilitation Services Program from the Department of Rehabilitation. Total funding in 2003-04 is \$135.9 million (\$114.7 million General Fund, \$21.2 million Medicaid Waiver reimbursements).

Title XX Social Services Block Grant Increase

A reduction of \$65.7 million General Fund and a commensurate increase in Title XX Social Services Block Grant reimbursements from the Department of Social Services.

Continuation of Non-Community Placement Plan Start-up Suspension

Continuation of the 2002-03 suspension of funding for start up of new non-Community Placement Plan programs unless the expenditure is necessary to protect consumers’ health or safety and the Department of Developmental Services has granted prior authorization for expenditure.

Continuation of Intake and Assessment – 60 Days to 120 Days

Continuation of the 2002-03 provision to extend the amount of time allowed for regional center assessment from 60 days to 120 days following initial intake.

Mid-Year Reduction Savings

A savings of \$142.7 million General Fund from 2001-02 included in the Governor's Budget as part of the Mid-Year Reduction Plan.

Developmental Centers Program

The proposed Governor's Budget for 2003-04 decreases the Developmental Centers Program by \$.4 million (from \$655.5 million to \$655.1 million), a 0.1 percent decrease in funding for the developmental centers system. The total number of positions proposed for the Developmental Centers Program in 2003-04 is 8,662.1, a net decrease of 17 positions. Significant changes proposed for 2002-03 and 2003-04 are as follows:

Current Year 2002-03

Mid-Year Reduction Savings

A savings of \$2.3 million due to the decline in the developmental center population through November 2002 from the budgeted level.

Reduction in Non-Level of Care Positions

A reduction of \$1.1 million and 29 non-level of care positions in response to the State's current fiscal crisis.

Budget Year 2003-04

Bay Area Project for the Closure of Agnew Developmental Center

A redirection of 5 positions to create a strategic plan ensuring that services and supports are available in the community or in another developmental center to accommodate residents from Agnews Developmental Center upon its closure by June 2005.

Developmental Center Population Adjustment

A reduction of \$6.7 million and 99 positions resulting from a projected net decline in population of 71 residents in the developmental centers system (from 3,667 in 2002-03 to 3,596 in 2003-03).

Developmental Centers Program FMAP Base Adjustment

A reduction of \$1.9 million in federal reimbursements and a commensurate increase in General Fund due to a change in the Federal Medical Assistance Percentages (FMAP) rate from 51.35 percent to 50 percent.

Additional Special Investigator Resources

An increase of \$.4 million and 5 positions to ensure consumer safety and complete investigations within statutory timeframes.

Porterville Developmental Center Forensic Recreation Complex and Bed Expansion (Capital Outlay)

An increase of \$50.3 million in revenue bonds for capital outlay improvements for the Secure Treatment Program at Porterville Developmental Center over the next four years. This increase provides funding for additional bed capacity (96 beds), a Protective Services facility and a Recreational and Activity Center within the fenced Secured Treatment Program.

Headquarters

The proposed Governor's budget for 2003-04 increased DDS' Headquarters budget by \$5 million (from \$30.4 million to \$35.4 million), an increase of 16.3 percent over the current year budget. The total number of positions proposed for Headquarters in 2003-04 is 445.6, an increase of 56.6 positions. Significant changes proposed for 2002-03 and 2003-04 are as follows:

Current Year 2002-03

Position and Operating Expenses Reduction

A reduction of \$914,000 and 16.5 positions in response to the State's current fiscal crisis.

Parental Co-Payment Assessment Program

An increase of \$.6 million and 2 positions to begin the implementation of the Parental Co-Payment Assessment Program.

Budget Year 2003-04

Enhancing Federal Financial Participation-Phase II

An increase of \$1.3 million and 16 positions to implement the Enhanced Federal Financial Participation-Phase II proposals.

Habilitation Services Program Transfer

An increase of \$1.3 million and 18 positions resulting from the transfer of the Habilitation Services Program from the Department of Rehabilitation.

Parental Co-Payment Assessment Program

An increase of \$1.8 million and 23.6 positions to implement the Parental Co-Payment Assessment Program. It is estimated that \$31.5 million will be generated in revenue beginning in the second half of 2003-04 with the implementation of this program.

Health Insurance Portability and Accountability Act

An increase of \$.2 million and 2 positions for ongoing responsibilities and requirements of the Health Insurance Portability and Accountability Act.

Continuation and Expansion of the Self Determination Pilot Projects

An increase of \$.2 million and 2 positions to seek a federal Home and Community-Based Services waiver for self determination.

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(Dollars in Thousands)

	2002-03 Estimated	2003-04 Proposed	Difference	Percent Change
Community Services Program				
Regional Centers	\$2,218,397	\$2,516,615	\$298,218	13.4%
Operations	411,615	432,195	20,580	5.0%
Purchase of Services	1,806,782	2,084,420	277,638	15.4%
Early Intervention Program	20,095	20,095	0	0.0%
Habilitation Services	21,175		-21,175	-100.0%
Totals, Community Services	\$2,259,667	\$2,536,710	\$277,043	12.3%
General Fund	1,447,015	1,573,743	126,728	8.8%
GF Reappropriation	996	0	-996	-100.0%
PDF	1,800	1,600	-200	-11.1%
Federal Trust Fund	46,995	48,949	1,954	4.2%
Reimbursements	762,861	912,418	149,557	19.6%
Developmental Centers Program				
Personal Services	\$531,466	\$532,298	\$832	0.2%
Operating Expense & Equipment	124,094	122,834	-1,260	-1.0%
Total, Developmental Centers	\$655,560	\$655,132	-\$428	-0.1%
General Fund	359,079	361,022	1,943	0.5%
Federal Trust Fund	700	633	-67	-9.6%
Lottery Education Fund	2,057	2,057	0	0.0%
Reimbursements	293,724	291,420	-2,304	-0.8%
Headquarters Support				
Personal Services	\$24,374	\$28,657	\$4,283	17.6%
Operating Expense & Equipment	6,064	6,732	668	11.0%
Total, Headquarters Support	\$30,438	\$35,389	\$4,951	16.3%
General Fund	\$19,683	\$22,863	\$3,180	16.2%
Federal Trust Fund	1,894	2,113	219	11.6%
PDF	259	331	72	27.8%
Reimbursements	8,602	10,082	1,480	17.2%
State Mandates	\$4	\$4	\$0	0.0%
General Fund	\$4	\$4	\$0	0.0%
Totals, All Programs	\$2,945,669	\$3,227,235	\$281,566	9.6%
General Fund	1,825,781	1,957,632	131,851	7.2%
General Fund Reappropriation	996	0	-996	-100.0%
Federal Trust Fund	49,589	51,695	2,106	4.2%
Lottery Education Fund	2,057	2,057	0	0.0%
PDF	2,059	1,931	-128	-6.2%
Reimbursements	1,065,187	1,213,920	148,733	14.0%
Caseloads:				
Developmental Centers	3,667	3,596	-71	-1.9%
Regional Centers	183,540	193,100	9,560	5.2%
Authorized Positions:				
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